

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 20390 151839Z
ACTION SS-14

INFO OCT-01 ISO-00 EUR-08 EB-03 SP-02 TRSE-00 NSC-05
NSCE-00 SSO-00 FRB-01 CIAE-00 ONY-00 /034 W
----- 014236 /46
O 151745Z DEC 76
FM AMEMBASSY ROME
TO SECSTATE WASH DC IMMEDIATE 1781

LIMITED OFFICIAL USE ROME 20390

LIMDIS - DISTRIBUTE TO S, D, E, P, C, EB, EUR, S/P, TREASURY,
NSC AND FRB ONLY

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ECONOMIC SITREP NO, 32, WEDNESDAY, DECEMBER 15

REF: ROME 20245

1. SUMMARY. EC FINANCE MINISTERS WHO WOULD CONSIDER \$500 BILLION
MEDIUM-TERM OFFSETTING LOAN TO ITALY RESCHEDULED DECEMBER 20
MEETING UNTIL JANUARY 17. SCHEDULE OF ECONOMIC EVENTS SLIPS
INTO JANUARY. LIRA RATE ESSENTIALLY UNCHANGED ON LOW DOLLAR
DEMAND. END SUMMARY.

2. EC FINANCE MINISTER DECEMBER 20 MEETING CANCELLED.
PRESS REPORTS THAT EC MEETING OF FINANCE MINISTERS SCHEDULED
FOR DECEMBER 20, AT WHICH FINAL DECISION TO BE TAKEN APPROVING
MEDIUM-TERM LOAN OF \$500 MILLION POSTPONED UNTIL JANUARY 17.
COMMENTARY SUGGESTS DELAY INSTIGATED BY GERMANS WHO WANT ITALY
MEET SAME CONDITIONS FOR EC LOAN, PARTICULARLY AS REGARDS THE WAGE
COST-OF-LIVING ESCALATOR, AS FOR PROSPECTIVE IMF STANDBY.
OFFICIAL REASON REPORTED WAS THAT THERE IS NO URGENCY SINCE
ITALY'S OFFICIAL RESERVE SITUATION HAS IMPROVED RECENTLY AS
EVIDENT BY BANK OF ITALY'S ADVANCE REPAYMENT OF UK LOAN (ON
DECEMBER 6 INSTEAD OF DUE DATE OF DECEMBER 9).

3. SCHEDULE OF ECONOMIC EVENTS SLIPS INTO NEW YEAR.
MAJOR MEETINGS WHICH WILL AFFECT IN ONE WAY OR ANOTHER THE
GOVERNMENT'S ECONOMIC STABILIZATION PROGRAM HAVE NOW SLIPPED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 20390 151839Z

INTO THE NEW YEAR. PRESENT SCHEDULES FOR MEETINGS OR EVENTS WHICH

EMBASSY BELIEVES IMPORTANT TO SUCCESSFUL IMPLEMENTATION OF STABILIZATION PROGRAM ARE AS FOLLOWS:

DECEMBER 15 (TODAY) - GOVERNMENT AND LABOR LEADER MEETING ON ECONOMIC POLICY (ANOTHER MEETING COULD BE SCHEDULED FOR NEXT WEEK).

DECEMBER 16 - GOVERNMENT AND LABOR LEADER MEETING ON PUBLIC EMPLOYEE CONTRACTS.

DECEMBER 17 - COUNCIL OF MINISTERS MEETING (POSSIBLY LAST MEETING UNTIL AFTER EPIPHANY ON JANUARY 6).

DECEMBER 23 - PARLIAMENT ADJOURNS UNTIL JANUARY 12. (THERE ARE NO PENDING STABILIZATION DECREE LAWS WHICH WOULD EXPIRE BEFORE PARLIAMENT SCHEDULED TO RECONVENE.)

JANUARY 7-8 - NATIONAL MEETING OF LOCAL DELEGATES OF UNIONS WHICH COMPRISE THREE MAJOR UNION CONFEDERATIONS. CONFEDERATION OF THESE THREE GROUPS WILL SCHEDULE MEETING WITH CONFINDUSTRIA TO TAKE UP LABOR COSTS AND PRODUCTIVITY AGAIN AFTER THIS MEETING.

JANUARY 12 - PARLIAMENT RECONVENES.

JANUARY 15 - REDUCTION OF PRIOR DEPOSIT REQUIREMENTS ON MOST PURCHASES OF FOREIGN EXCHANGE FROM 40 TO 25 PERCENT TOTAL PURCHASES.

JANUARY 17 - EC FINANCE MINISTERS MEETING WHICH WILL TAKE UP QUESTION OF \$500 MILLION MEDIUM-TERM LOAN TO ITALY.

FEBRUARY 1 - FIRST PAYCHECKS FOR INCOME EARNERS WITH INCOME OF 6 MILLION LIRE OR ABOVE ARE AFFECTED BY PARTIAL BLOC OF SCALA MOBILE (CALCULATED FROM COST-OF-LIVING ESCALATOR INDEX INCREASES OF PREVIOUS THREE-MONTH PERIOD OCTOBER 15 TO JANUARY 15).

FEBRUARY 18 - 7 PERCENT TAX ON FOREIGN EXCHANGE PURCHASES EXPIRES.

FEBRUARY 28 - REDUCTION OF PRIOR DEPOSIT REQUIREMENT FROM 25 TO 10 PERCENT OF FOREIGN EXCHANGE PURCHASES.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 20390 151839Z

APRIL 15 - TERMINATION OF PRIOR DEPOSIT REQUIREMENT.

4. MARKET DEVELOPMENTS. LIRA/DOLLAR EXCHANGE RATE FIXED AT 865.525 ON DECEMBER 15 (COMPARED TO 865.40 ON DECEMBER 14). VOLUME OF TRANSACTIONS SLIGHTLY HIGHER BUT DOLLAR DEMAND REMAINED LOW.

5. GOVERNMENT MEETING WITH LABOR LEADERS. FIRST WIRE SERVICE

REPORTS OF MEETING TODAY OF GOVERNMENT WITH LABOR LEADERS INDICATE THAT PRIMIN ANDREOTTI OUTLINED THE U.S. CONTACTS HE HAD HAD THE PAST WEEK FOR THE DEFENSE OF THE LIRA WHICH ARE TIED TO THE DECISION OF INTERNATIONAL ORGANIZATIONS, IN PARTICULAR THE INTERNTIONAL MONETARY FUND. HE STATED THAT THE EXPLANATION OF THE ITALIAN GOVERNMENT'S ECONOMIC POLICY WAS GREETED IN U.S. WITH COMPLETE UNDERSTANDING, AND INCLUDED EXPLANATION OF THE REVENUE MEASURES AS WELL AS COSTS OF PRODUCTION. ON THE LATTER POINT, THE ACCENT FELL ON NEED TO CONSIDER ALL ASPECTS AND NOT JUST THE COST OF LABOR THAT ARE NECESSARY TO MAINTAIN COMPETITIVENESS IN NATIONAL OUTPUT. ANDREOTTI REPORTEDLY STATED FURTHER THAT THE WHOLE PROBLEM MUST BE ADDRESSED, THAT IT WOULD BE USELESS TO TAKE ISOLATED ACTION ON THE WAGE COST-OF-LIVING ESCALATOR WITHOUT ALSO DEALING WITH PLANT LEVEL CONTRACT NEGOTIATIONS. HE ALSO NOTED THAT THE GOVERNMENT HAS UNDER STUDY A PLAN FOR RATIONING VARIOUS ITEMS WHICH TO DATE HAD BEEN AVOIDED BECAUSE OF FEARS OF COUNTERPRODUCTIVE REACTIONS. HE CONCLUDED BY EXPRESSING TH FEAR THAT PERHAPS THE PUBLIC WAS NOT YET SUFFICIENTLY ALARMED WITH SERIOUSNESS OF ECONOMIC SITUATION.

6. THE NEXT ECONOMIC SITREP. AS THE PACE OF ACTIVITY CONCERNING ITALY'S IMPLEMENTATION OF AN ECONOMIC STABILIZATION PROGRAM SLOWS FOR THE HOLIDAY PERIOD (SEE PARA 2 ABOVE), EMBASSY PROPOSES TO FILE LESS FREQUENT SITREPS. EMBASSY BELIEVES THAT BY FILING LESS FREQUENT REPORTS BUT KEYED TO IMPORTANT EVENTS, MORE MEANINGFUL INFORMATION AND ANALYSIS WHICH FOCUS LESS ON DAILY ATMOSPHERICS CAN BE PROVIDED END USERS. CONCOMMITANTLY, THE TIME OF THE SITREP DRAFTING OFFICER--WHO NOW OCCUPIES BETTER THAN HALF DAY TO SITREP--CAN BE MORE EFFECTIVELY UTILIZED. CONSEQUENTLY, NEXT ECONOMIC SITREP WILL BE SENT FRIDAY, DECEMBER 17, FOLLOWED BY ONES ON DECEMBE 23, DECEMBER 30 AND JANUARY 7, AFTER WHICH WE WILL REASSESS FREQUENCY IN LIGHT OF LEVEL OF ACTIVITY ON THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ROME 20390 151839Z

ECONOMIC FRONT. BEAUDRY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, REGIONAL ORGANIZATIONS, PLANNING MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME20390
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760462-0024
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761241/aaaabiui.tel
Line Count: 155
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: 76 ROME 20245
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by BoyleJA>; APPROVED <13 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC SITREP NO, 32, WEDNESDAY, DECEMBER 15
TAGS: EFIN, ECON, IT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006